

OSA-4655-65
#1749

REPLY TO:
Audit Liaison Office
P. O. Box 8155
S. W. Station
Washington, D. C.

14 December 1965

SUBJECT: Report on Evaluation of ECP 1987-7
Airborne Instrument Laboratory
Division of Cutler Hammer, Inc.
Deer Park, New York
Contract No. FH-7321

TO : Contracting Officer

1. Per request of the Contracting Officer, a review was made of the subject contractor's cost plus Fixed Fee proposal of \$281,586, including fee of \$19,646 to provide for MPC/CPC support computer and peripheral equipment and its operating personnel based on requirements of ECP #3.

2. The evaluation included a review of the proposed labor, overhead and general and administrative expense rates, a verification of the material and rental costs, and a comparison of the labor hours proposed to the requirements of the ECP. The labor hours proposed should be reviewed by technical personnel to determine their reasonableness.

3. Comments:

a. The combined average labor rate proposed on this ECP (\$3.82 per hour) compares favorably with the overall average labor rate for effort expended on this program (\$4.68 per hour.) It appears that the mix of labor classes is reasonable for this ECP only.

b. The overhead and general and administrative rates proposed are considered excessive when compared to the actual incurred rates for the year to date. A review of the contractor's budgets and forecasts indicate that the use of 104% for engineering and 7.5% for G & A

is not reasonable. The Auditor recommends using 10.2% and 7.4% respectively. The adjustment recommended in paragraph 4 below reflects the use of these lower rates.

c. The subcontract costs proposed (\$100,424) are based upon rates for the rental of equipment from Control Data Corporation as agreed to by the General Services Agency. These costs include \$3,496 which is a 20% surcharge for two months applied to the monthly rental cost of \$8,740 for main frame constituents. This surcharge provides for unlimited usage of all equipments. It also provides for the maintenance of these equipments on a full-time basis. Operating personnel are proposed on a two-shift basis including a computer operator, key punch operator, supervisor and programmer as the staff.

4. Results of Review:

The results of the review, subject to the comments in paragraph 3 above are as follows:

Costs Per Contractor's Proposal	\$281,586
Auditor's Adjustments	<u>1,547</u> (1)
Costs as Adjusted	<u>\$280,039</u>

(1) Represents the reduction of engineering overhead from 10.4% to 10.2% and the G & A rate from 7.5% to 7.4%.

SIGNED

WILLIAM F. EDWARDS
Auditor General Representative (APL)